

**Director**  
**Intelligence Community Staff**

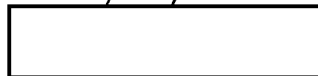
25 JAN 1982

NOTE FOR: Deputy Director of Central Intelligence  
SUBJECT: DCI's Annual Report to the Congress

Dear Bob:

Attached for your review is a draft of the  
subject report. If the draft meets with your  
approval, you might wish to forward it to the  
DCI.

(S)



Attachment: a/s

Distribution:

- Orig - Adse [redacted], cy #1)
- 1 - ER (w [redacted], cy #2)
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DCI/ICS/OP [redacted] (25 Jan 82)

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ANNUAL REPORT OF THE DIRECTOR OF CENTRAL  
INTELLIGENCE TO THE CONGRESS

1981

INTRODUCTION

I can look back on my first year as DCI with a great deal of satisfaction in the knowledge that, with your encouragement and support, many of my near-term objectives are being realized, and that the foundation for achieving longer term goals has been established. High on my agenda was the need to sharpen the focus of Community analysis to present policymakers with timely and accurate intelligence incorporating the full scope of informed opinion. The restructuring of the National Foreign Intelligence Board and the streamlining of the estimates process are in direct response to that objective. The Intelligence Community has for too long been a victim of budgetary and manpower restraints without sufficient regard for the adverse impact these have had on the national security. Accordingly, I have made some adjustments to the management structure of the Community so that it might become an effective advocate of its interests. The activities of foreign intelligence services directed against US interests have been of increasing concern to me, nowhere more so than in the loss of US advanced technology. In order to address this issue in a more thorough and comprehensive manner and to support national policy actions against this threat, I have established a DCI committee to coordinate the analytical efforts of the Community directed against this problem.

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As pleased as I am with the progress achieved in 1981, I would be remiss in my responsibilities as DCI if I did not begin to address the future needs of the Intelligence Community. To this end and at the request of the National Security Council, I directed that the Community jointly develop a long-range plan detailing its resource needs for the period 1985-1990. The National Security Planning Group, meeting with the President, reviewed and endorsed the plan. I anticipate that during 1982 I will have the opportunity to discuss its implications with you in greater detail. The effort will not be a single planning episode, but a process that will proceed on a continuing basis. It is by this means that I propose to work with the Congress on an informed basis to assure that our intelligence capabilities never again are permitted to decline as seriously as in the recent past.  25X1

I am pleased to submit this report detailing these efforts, and I stand prepared to answer any questions you might have concerning its content. In keeping with the practice established in previous years, this report also includes statements from principal Intelligence Community managers. Together they comprise what I believe is a record of important accomplishments, and establish an agenda for the year before us.  25X1

#### INTELLIGENCE SUPPORT TO POLICY FORMULATION

##### National Foreign Intelligence Board (NFIB)

One of my first acts as DCI was to revitalize the senior advisory bodies intended to support me on matters of national intelligence concern. In March

the National Foreign Intelligence Board was restructured, and its procedures were revamped to provide better substantive support to me. The objective was to emphasize the need to improve the quality, timeliness, and relevance of major intelligence products. Board membership was revised to foster a more profitable exchange of views and interaction among the Community's principal collectors, processors, and producers of intelligence. The members were enjoined to provide their best professional advice with the assurance that their views would bear due weight. There is no question that the restructured NFIB has proved effective; Board efforts are marked by an atmosphere of professional judgment, coordination, and common purpose among intelligence principals. These relationships in turn have given life to a primary goal of mine--to encourage competitive analysis.  25X1

#### National Intelligence Council and Estimates Procedures

The role of the National Intelligence Council (NIC) and the procedures by which the NFIB and its members make their inputs to National Intelligence Estimates were revised during the year. The NIC, as the Community organization responsible for producing these estimates, was moved directly under my authority in June. New guidelines for the production of interagency intelligence assessments were discussed by the NFIB and implemented in July. The effects of these changes were:

- to reemphasize the primacy of National Intelligence Estimates (NIEs) and Special National Intelligence Estimates (SNIEs) as the most important products of the Intelligence Community;

- to produce NIEs and SNIEs better suited for high-level policymakers' examination and consideration;
- to assist senior policymakers by producing briefer interagency assessments--and to do so more quickly;
- to improve the substantive usefulness of such assessments in the policy process; and
- to enhance senior review of estimates within the Community by engaging the DCI and the other NFIB principals more fully. 25X1

To accomplish these ends the purposes of the various types of estimative papers were redefined, and procedures to produce them were overhauled. In particular the issuance of SNIEs, oriented to specific current events or policy issues, was given greater emphasis, and "fast-track" procedures were instituted to produce them more quickly. It was agreed that in order to increase the utility of the NIEs, assessments would be produced in greater detail and extend to two or more complementary volumes; the first volume would be brief containing principal judgments; a longer supplemental volume or two would contain supporting facts and analyses.  25X1

Areas of Policy Concern, 1981

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## THE INTELLIGENCE COMMUNITY

In an effort to enhance the responsiveness of intelligence to national policy concerns and to support the revitalization of intelligence capabilities, I have made a number of changes to the institutions that support

the DCI in his role of Community leader. As already noted, I have reordered the responsibilities and procedures of the NFIB and the NIC. I also established a National Foreign Intelligence Council, and reestablished the Intelligence Community Staff to assist me in guiding the Community's resources and planning. A review of the DCI Committee structure is under way; several changes already have been made in the nature of the committees currently in operation.  25X1

#### The National Foreign Intelligence Board

I believe that the changes made in the purpose and composition of the NFIB have improved the quality, timeliness and relevance of substantive support to the policymaker. These, together with the procedural changes made for the National Intelligence Council and to the estimates process, have been instrumental in assuring that the intelligence product reflects the broader scope of informed opinion on any given issue.  25X1

#### The National Foreign Intelligence Council

I established the NFIC in order to provide an organizational structure for those responsibilities no longer addressed by the NFIB. The NFIC is to assist and advise me on matters other than substantive intelligence--primarily the National Foreign Intelligence Program and Budget; its membership includes full Intelligence Community representation.  25X1

#### The DCI Committees

With few exceptions, I have left the DCI committee structure virtually unchanged. Each committee continues to include Community representation and advises me on specific aspects of intelligence production, collection, processing, or control. Substantive intelligence committees such as the Joint Atomic Energy Intelligence Committee and the Scientific and Technical Intelligence Committee are operationally aligned with and administratively

supported by the Deputy Director for <sup>Intelligence</sup> National Foreign Assessments. The three collection committees--the Committee on Imagery Requirements and Exploitation, the Human Resources Committee and the SIGINT Committee--are supported by their respective collection offices on the IC Staff. Others, such as the Intelligence Information Handling and Security Committees, also function under the aegis of the IC Staff. [ ] 25X1

During the year I established the Technology Transfer Intelligence Committee to coordinate Community efforts on the critical subject of the loss of US technology. I also replaced the Critical Collection Problems Committee with a more broadly focused Critical Intelligence Problems Committee. While I consider these initiatives to be accomplishments in themselves during 1981, the full merit of these and similar changes under way should become evident during 1982. [ ] 25X1

#### The Intelligence Community Staff

The IC Staff was reorganized in mid-year to promote more efficient Community coordination and support, and to focus Staff efforts on developing an improved National Foreign Intelligence Program. The new staff is a consolidation of entities that had been assigned to the former Collection Tasking and Resource Management Staffs, and also includes several special assistants to the DCI in his Community responsibilities. It is anticipated that the new organization will be better able to act as an advocate of Community interests during the rebuilding of US intelligence capabilities. [ ] 25X1

With reorganization virtually complete, the new staff contains the following functional elements and responsibilities:

- The Office of Planning, will develop a practical mechanism to ensure that the Community identifies emerging problems and opportunities and responds to these in its programs and operations. [ ] 25X1
- The Office of Program and Budget Coordination, will work with Program Managers to construct an NFIP budget request that is adequate, prudent, and efficient; the Staff will help present and defend that request. [ ] 25X1
- Three collection offices--HUMINT, SIGINT, and Imagery, will support the activities of their respective committees in deriving requirements for collection managers and ensure that they are reflected in collection activities. The office that deals with imagery, unlike the other two, includes operational planning responsibilities. This office was strengthened during the year, but will need further strengthening in order to handle growing responsibilities. [ ] 25X1
- The Office of Community Coordination, will support the activities of interagency groups and committees such as NFIB, NFIC, Intelligence Research and Development Council, Congressional Liaison, a number of DCI committees, and the Community Counterintelligence Staff. [ ] 25X1
- The Office of Assessment & Evaluation, will provide independent assessments of program and budget proposals, and evaluate Community activities in relation to intelligence needs. A production review function intended for this office will be held in abeyance due to overall cuts imposed currently by the Congress. [ ] 25X1

These and other adjustments under way in the Community management apparatus are intended to:

- improve the quality, timeliness and relevance of national intelligence products and assure the incorporation of a broad range of analysis and opinion;
- foster better coordination and cooperation in the preparation of the National Foreign Intelligence Program and Budget;
- provide the means by which specific substantive or operational concerns may be addressed on a continuing basis;
- perform those tasks requiring the Community to speak with one voice; and,
- assure that the Community prepares to meet future challenges in a systematic and timely manner.

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#### COUNTERINTELLIGENCE

The US continues to confront increasing and more aggressive activities of numerous foreign intelligence services directed against its interests. I believe our counterintelligence effort is responding well to this challenge through the close cooperation of the Community's operating elements, unimpeded by unnecessary levels of management. Among these, the functions of the FBI and CIA are paramount within and outside the US, respectively. The military services are responsible for coordinating defensive operations wherever there are US military activities; NSA has a dominant role with respect to signals intelligence. An overall analytical/assessment perspective, however, is

provided by the NSC-established National Multidisciplinary Assessment Center which I have made a part of the Intelligence Community Staff. It is responsible for providing national multidisciplinary assessments of the threat to the US from foreign intelligence services and the effectiveness of US countermeasures to that threat.  25X1

The loss of US technology, through covert as well as legitimate commercial channels under the direction of hostile intelligence services, has been a concern of mine for many years. The USSR, together with its East European allies, have made the acquisition of sensitive US technology a top priority of their commercial and intelligence services; more recently, the PRC also has become a significant source of technology loss. Several recent FBI espionage investigations which have resulted in successful prosecutions of individuals involved in the illegal diversion of US technology, and a rise in the number of incidents involving clandestine acquisition, substantiate the legitimacy of this concern. Technology loss is both an export control and a counterintelligence problem, and as such requires the coordinated efforts of a broad range of Community and other US Government resources.  25X1

In order to address this serious problem more effectively, the Technology Transfer Intelligence Committee will direct the efforts of the Community on this issue. A newly established Technology Transfer Assessment Center within the CIA, together with the analytical resources of the FBI and DIA, will provide essential support to this DCI Committee. Operationally, we have increased our efforts to frustrate the activities of hostile intelligence personnel specifically involved in technology acquisition. I thus hope to combat the substantial resources that the USSR and the PRC are expending for the acquisition of US civilian and military technologies, to pinpoint the significance of our losses, and to determine specifically the dependency of

the Soviet Union and the PRC on Western technology for their development of weapon systems and economic programs. [ ]

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Hand-in-hand with the problem of easy access to US technology, whether by open source, scientific exchange, trade, theft, bribery or espionage, is the need to sensitize not only Government and contractor personnel but also the public to the enormity of the technology espionage threat and ways to combat it. The FBI and DoD continue to conduct security briefings of US Government and contractor personnel involved in sensitive technology; DoD efforts have been increased both in the number of briefings conducted and in the increased use of counterintelligence specialists as briefers. Publicity focused on the significant number of recent cases involving Soviet and East European intelligence activities also has helped to increase the general level of security awareness. [ ]

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## PRESIDENTIAL DIRECTION AND CONGRESSIONAL RELATIONS

I am especially grateful for the support I have received from the President and the Congress in my efforts to revitalize the Intelligence Community. The President in close consultation with the Congress, recently issued Executive Orders 12333 and 12334 which will provide intelligence professionals with clear and positive operational guidance while at the same time ensuring that intelligence activities are lawful. Executive Order 12333 covers the full scope of intelligence activities, and is a further refinement of earlier attempts at defining the nature and character of intelligence activities. Executive Order 12334 establishes the President's Intelligence Oversight Board empowered not only to investigate intelligence activities and report violations of the Constitution or laws, Executive Orders, or Presidential Directives, but to review the practices and procedures of those offices within the Intelligence Community charged with discovering and reporting unlawful activities.

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The process of congressional oversight which began in the wake of the investigations of the mid-70s continues to mature; what has emerged is a uniquely American system of oversight, and cooperation. Hundreds of hours of hearings and thousands of pages of testimony and questions for the record, led

again this year to the authorization and appropriation of significantly increased resources for the National Foreign Intelligence Program and the Intelligence Related Activities of the Department of Defense. That this took place at a time when national resource priorities are being weighed crucially, indicates a remarkable unanimity between the Executive and Legislative branches as to the necessity for the nation to have the best intelligence organization possible.  25X1

In addition to adding resources, Congress provided the Community with significant new administrative authorities--authorities which will allow member agencies to accomplish their missions more efficiently and effectively. Among these are the independent authority to adjust the allowances and benefits of intelligence officers and their dependents serving overseas so that they are at parity with Foreign Service personnel to create and manage a Senior Cryptologic Executive Service and a Defense Intelligence Senior Executive Service. The Intelligence Authorization Act for Fiscal Year 1982 makes it illegal to misuse the name, initials or seal of the CIA and NSA, and enables me to authorize certain employees to carry firearms in the conduct of specified duties.  25X1

We have been able to provide a wide range of intelligence briefings and studies to Members and Committees of Congress, to assist them in their foreign and national security policy roles. We will continue to do this as directed in the new Executive Order to "facilitate the use of national foreign intelligence products by Congress in a secure manner". Congressional cooperation in the secure handling of our nation's most sensitive information has been outstanding, and we will continue to work together to ensure that this continues. I am confident that the closer relationships which have evolved between Congress and the Intelligence Community will provide

assurances that the vital functions of intelligence are being performed efficiently, economically, and with full regard for our laws and traditions.



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### 1982 AND BEYOND

The international challenges that will confront the US in the '80s will almost certainly grow in number and complexity. US policymakers will have fewer political, economic, and military options at their disposal with which to confront developments in each of these areas than were available previously. This country's success in responding to such challenges will depend to a great extent on timely, accurate, and insightful intelligence. In order to assure an uninterrupted flow of intelligence support into the next decade, the Community has initiated a comprehensive, iterative, long-term planning process. A broad sampling of intelligence consumers and producers was assembled to provide the substantive context against which Program Managers were to posit current, approved, and additive capabilities. A brief summation follows of some of the more prominent issues serve to illustrate the nature and scope of demands that are likely to be levied on the Intelligence Community:

- The Soviet Union will continue to pose the most serious challenges to the US. The US can expect to face a new and possibly more aggressive Soviet leadership, troubled by lagging economic performance and regional and ethnic tensions, but controlling an extraordinarily powerful military instrument.

- Traditional allies in Western Europe and Japan will demonstrate a greater degree of diversity and independence of US leadership in their relations with all regions of the world. Worldwide competition for scarce natural resources and investment capital will further strain these and other long-standing relations.
- In the Middle East and North Africa, uncertainty about the role and stability of Egypt, continued Arab-Israeli conflict, the tension between Moslem fundamentalism and rapid change in the oil exporting countries, and the ambitions of the Soviets, Libyans, and Palestinians, will produce a tangle of threats, opportunities, and constraints affecting US policy.
- Southern Africa will present a similar tangle. The Soviets, because they have little stake in stability in that part of the world, have been free to operate independently and, through their proxies, to destabilize fragile regimes and promote military conflicts.
- In the less prosperous countries of the Western hemisphere, Cubans are exploiting social tensions and poverty. In addition the industrial powers of the Americas--Canada, Mexico, Brazil, Argentina, and Venezuela--have all, to some degree, asserted their independence of the US; all of them show strain beneath surface stability.
- Throughout the Third World, the tensions between modernization and traditional values, and between limited resources and ambitions to play a larger role in the world will only compound the increasing complexity of conflict in the Third World.
- Over the last few years we have faced what appears to be a

general decline in world order: the growth of terrorism,  
invasion of embassies, threats arising from nuclear  
proliferation, tensions flowing from resource scarcity, to name  
but a few.  25X1

In assessing these challenges, we realized there was a wide variation in the ability of the Intelligence Community to respond. Some of the current lack of capability simply reflects the inherent difficulty of particular challenge; other deficiencies are due to prior budgetary decisions that have constrained the necessary acquisition and development of intelligence resources. Still other shortfalls reflect the fact that new responsibilities have emerged which were not previously levied on the Intelligence Community.

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In order to meet the broadening challenge, a substantial commitment to rebuild, revitalize, and recapitalize the Intelligence Community, above and beyond levels presently programmed, is absolutely essential. We have identified our future deficiencies and have developed a plan for their elimination. It is clear that a commitment to substantial real growth above that currently programmed will be needed to build the capabilities required in the future.

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